

Commissioners propose tax increase and decrease

by MARIAN MCMAHON
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LAKE COUNTY - A proposal by the Lake County Board of Commissioners to help stabilize county finances met with both positive and negative reactions at the first public hearing held on the subject Jan. 12.

The commissioners' proposal would be effective April 1. The piggyback sales tax would be increased by one-half of 1 percent. It would be the first increase since the sales tax was first collected in 1969.

The county sales tax rate is currently 6.5 percent of which the county receives 0.5 percent and Laketrans receives 0.25 percent.

However, to counter that increase, the 2.1 inside mills the county receives from property taxes would be reduced by 1.1 mills and lessen the burden on property owners.

This inside millage is part of the maximum unvoted 10 mills allowed by the Ohio Constitution, which can only be reduced by the commissioners. This would be the first reduction since the 1930s.

Another reduction proposed by the commissioners is to cut the stormwater management user fees paid by property owners in member communities by 50 percent.

"Lake County has enjoyed the lowest - there's only one county lower - sales tax rate in the state of Ohio for a long time," said Board President Ray Sines. "With a half percent increase, 25 counties will be lower, 14 counties will be the same and 48 will still be higher than Lake County. For that additional half percent, consumer spending of \$1,000 will cost an additional \$5.

"Keep in mind that groceries, housing and essentials expenses are not taxable."

The reduction of the inside millage would reduce real estate taxes for property owners. Taxes on a home with a \$100,000 valuation will be reduced by about \$35 per year.

Commissioner Bob

Aulfidish said county employees have been reduced from 600 to 495, a 22 percent reduction. County non-union employees have not received a raise in about five years.

"Most of the unions have worked with us very well in trying to keep the lid on salaries," he said.

Commissioner Dan Troy said people need to understand county government does not have the ability to cut back on most of the services it provides since they are dictated by state statute. For instance, the county is required to support the various courts and all other county agencies such as the recorder's, sheriff's and auditor's offices.

"We have squeezed this operation as much as we possibly can," Troy said. "The commissioners' office itself, including its budget personnel, has reduced staff from 22 employees down to 12."

Troy said, despite all the cutbacks, revenues continue to decrease. Real estate taxes have declined because of the drop in property values. The state eliminated the reimbursement plan it had created to replace the discontinued tangible personal property tax.

"We received a significant amount of money from the electric industry because there are two plants in this county, but when that industry was deregulated, the tax was dropped considerably, almost made nonexistent from those industries," Troy said. "The replacement stream created by the state, a kilowatt hour tax on your electric bills; we were getting reimbursement from that (but) that money is now going to go into the state budget.

"As we've said many times, the state has balanced its budget by unbalancing ours."

Other concerns are that, following the serious cuts to the Local Government fund by the state, that revenue stream may end completely in the next year or two. Another concern is the state

may stop reimbursing the state property tax rollbacks, just as the 10 percent rollback on business property has already been eliminated.

Another large drop in county revenue was caused by the severe drop in investment earnings. In 2007 the county received about \$8.85 million which dropped about \$1 million in 2008, nearly \$3 million in 2009 and was only about \$1.5 million in 2011. Even that is projected to drop again in 2012.

The Recorder's Office saw its income drop from \$4.57 million in 2005 to \$1.986 million in 2011.

Property tax revenues dropped from a high of \$13.306 million in 2007 to \$11.65 million in 2011.

Sales taxes declined from \$15.7 million in 2007 to \$14.52 million in 2010. Although they bounced back up to \$15.36 million in 2011, they are estimated to drop again to about \$14.1 million this year.

The cash carryover balance, at a high of \$22.746 million in 2007, was just over \$8.5 million in 2011.

"We understand. Nobody wants to raise taxes. We also understand we've got to continue to function. I think what we're doing here is we're addressing the county's budget crisis responsibly," Troy said. "The additional revenues generated will still leave us at an overall general revenue fund of less than we had as recently as four years ago, but I think by this action, we are shifting our tax base substantially away from one based on property ownership to one that's based on consumption."

In a release, Lake County Auditor Ed Zupancic said, "Over the last several years, I have watched the deterioration of the County's revenue, while the demands to provide the statutorily mandated services have not lessened. This in fact puts the credit rating of the county in jeopardy. That is why I am supporting the sales tax increase in conjunction with the property tax de-

crease as a creative and balanced approach to this situation.

Robert Thomas Breedlove of Palmetto Township was the first to comment during the public portion. He wondered about reducing property taxes and relying on sales taxes for revenue.

Sines said seniors were concerned about their real estate taxes, so the reduction would help them. Whether or not to purchase goods, however, it would be up to individuals.

It was also noted that people from outside the county do come to Lake County to shop and therefore pay sales tax, so they would also be adding to county revenues.

Linda Burhenne of Leroy Township asked how much additional revenue did the commissioners anticipate from the changes, when would the changes take place and how would they use those additional funds.

Troy said the change would take place April 1 with no increase received until July because of the processing delay in receiving county sales tax funds from the state.

"So, for the second half of 2012, based on our current take, that would be an additional \$7 million," he said. Since the anticipated budget without the changes is \$52 million, that would take the county revenue up to \$59 million.

The property tax reduction would be about \$5.5 million, which property owners would see in 2013 since the property tax collection runs a year behind.

Sines said the additional revenues would be used to "stop the bleeding" because without increased funds, the county probably would need to lay off another 100 employees.

Lake County Sheriff Dan Dunlap, when called upon, advised he had laid off 55 deputies in the past two years, with the road patrol being reduced from 36 to 17.

"I am in the residential construction business... We buy a lot of materials locally here that go into new homes... We pay sales tax on all that. If we got \$200,000 in material costs in a new home... that's a \$1,000 increase," said George Lunka of Kirtland, adding costs to build have increased 4 to 5 percent in the past few years.

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Sines said he felt most people came to Lake County for the services and if they decreased dramatically that would deter people from buying homes here.

The commissioners were asked if the issues could be put on the ballot.

Sines said it had been discussed, but they had to act because they were mandated by law to provide certain services, notably justice services such as the jail, the courts and prosecutor's office. They were advised by the budget director to raise sales taxes about seven years ago, but they chose to make cuts in personnel and elsewhere until now when it was absolutely necessary.

A man noted Ashabula County voters had rejected a sales tax increase by referendum and he was told Lake County voters could do the same, if they so chose. About 9,000 signatures would be needed.

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county taxes.

"I must be on the other side of the fence, but I've been wondering why this hasn't been done earlier," said Jim Walters of Palmetto, noting he does not believe in big government. "It seems that everybody wants to maintain the status quo, they just don't want to have to pay for it."

Sines said the commissioners need to watch out for taxpayer dollars, especially because of the economy. They did as much as they could but now had to take action.

One man said he felt the commissioners had already made up their minds despite the public hearings.

Troy noted they could not have a public hearing without a proposal.

Another person asked if two people were now doing the work of four, why were four people needed in the first place?

The public hearing was adjourned until the evening of Jan. 12 and another was held Jan. 17 in the morning.

The commissioners were expected to vote this week or next on the proposal.